10/23/86 C0175-1

EQUIPMENT LEASING REVIEW — STARTING ON PAGE 13

American Banker

The Daily Financial Services Newsp

VOL. CLI NO. 207 Wednesday, October 22, 1986

150222000015 8/15/05 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

TODAY

LEASING • REVIEW
A Big Business

Manufacturers Hanover Trust Co.'s leasing subsidiary relies on its full product line to thrive... 14

Bank of Boston's leasing division will operate as usual, despite tax law changes... 17

Security Pacific Leasing Corp. continues to increase profits... 18

The American Association of Equipment Lessors offers tips for survival... 20

THE BRITISH GOVERNMENT is at odds with the Bank of England over full British membership in the European Monetary System... 2

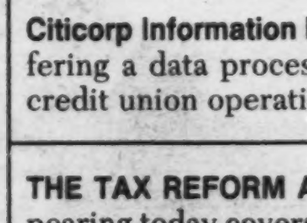
JOHN TORP, president of the Korean Foreign Bankers Group, discusses prospects in South Korea... 2

CORPORATIONS CAN THWART unwanted takeovers for up to three years if they merge with an insolvent mutually owned thrift, according to a new rule adopted by the Federal Home Loan Bank Board... 3

EARNINGS WERE UP at Citicorp, Wells Fargo & Co., Gibraltar Financial Corp., and the Dime Savings Bank of New York... 3

CONSUMER BANKING operations of the Dean Witter Financial Services Group lost $31.6 million... 3

THE YOUTH MARKET will attract increasing attention in the future as



domestic financial institutions seek untapped areas of opportunity, writes T.D. Browne, a consultant... 4

ROBERT J. SAMUELSON offers some opinions on what he calls the "bizarre return" of A.W. Clausen to the helm of BankAmerica Corp.... 4

TECHNOLOGY TODAY

Signify Inc. has introduced a signature verification system... 10

E.F. Hutton & Co. is investing $20 million in 10,000 new NCR Corp. personal computer workstations to link its account executives... 12

Citicorp Information Resources is offering a data processing system for credit union operations... 12

THE TAX REFORM ACT excerpt appearing today covers sections applying to financial institutions... 32

Executive Changes... 6

Global People... 2

In the News... 3

Quote

It takes gall to return to BankAmerica and act as if he's an innocent bystander in its current agonies.

Robert J. Samuelson on A.W. Clausen. [Page 4]

Unquote

Leasing Will Survive Tax Reform, Bankers Say

Continued Profits Seen Despite Lost Incentives

By LISABETH WEINER

CHICAGO — The leasing business has been a good source of income for U.S. banks. And even though new tax reform legislation threatens to change the way that business is done, bankers and other industry experts expect leasing to continue to be a profitable undertaking.

Leasing

"The old ground rules in leasing have been taken away," said David Brown, who heads Wells Fargo Leasing Corp., a subsidiary of Wells Fargo & Co. "Those institutions which can assess the changes and have value-added products will survive."

The primary change in the ground rules that will drastically alter the leasing business is the elimination of the investment tax credit, which allowed the owner to deduct 10% of the cost of new equipment from federal taxes. Some people say the investment tax credit has been the motivation for some companies — both bank and nonbank leasing companies — to be in the business in the first place.

Under tax reform, the 10% credit against taxes is gone. But the leasing business, experts said, will remain.

The American Association of Equipment Lessors, the major trade association for the leasing industry, estimated that in 1986 the total amount of new business leased will be about $100 billion. That's about a 6.4% rise from the 1985 level of nearly $94 billion and is nearly double the 1982 level of $57.6 billion. This makes leasing one of the major sources of capital formation in the country.

A spokeswoman for the trade group

Leases: Page 21 ➡

Leaders in Lease Financing*

	Lease Financing Receivables 3/31/86	3/31/85	% Change
Security Pacific National Bank, Los Angeles	$2,120,777	$1,935,022	9.60%
Citibank, New York	1,835,000	1,500,000	22.33%
Bank of America, San Francisco	1,163,000	1,343,000	-13.40%
Chemical Bank, New York	1,107,547	1,075,856	2.95%
Chase Manhattan Bank, New York	846,878	595,526	42.21%

*Through commercial bank subsidiaries. Figures in thousands.

Bank Leaders in Lease Financing
Tables on Page 22, 24

Family Farm Bankruptcy Legislation Draws Fire from Midwestern Lenders

By ANDREA BENNETT

CHICAGO — A piece of federal legislation that creates a new chapter of the bankruptcy code specifically for farmers is alarming agricultural lenders across the Midwest.

Agricultural Lending

The bill, which recently cleared Congress and has been sent to President Reagan for his signature, sets up a Chapter 12 for farmers trying to reorganize their debts. Supporters of the bill, which is modeled on a similar Depression-era law, claim it is necessary because farmers are not well served under current bankruptcy law.

But bankers claim the legislation will make it more attractive for farmers to file for bankruptcy, making lenders more leery about extending credit to marginal producers who would be most likely to use the new law. And some say that a provision of the bill that in some cases could slash in half the amount of the loan the farmer has to repay could impair the financial soundness of some agricultural lenders who have already been hard hit by the current agricultural depression.

"There is concern about [the legislation] across the Midwest," said Neil Milner, executive vice president of the Iowa Bankers Association. Mr. Milner

Bankruptcy: Page 27 ➡

First City Loses; Texas Commerce Gains in Quarter

By DAVID LaGESSE

DALLAS — First City Bancorporation of Texas Inc. on Tuesday said it was forced to renegotiate a line of credit with seven correspondent banks as it prepared to announce a third-quarter loss of $47.9 million, or $1.56 per share. The banking firm earned $10.8 million, or 20 cents a share, a year ago.

Third-Quarter Earnings

First City, based in Houston, also said it would probably eliminate the remaining dividend on its common stock — now running at the annual rate of 10

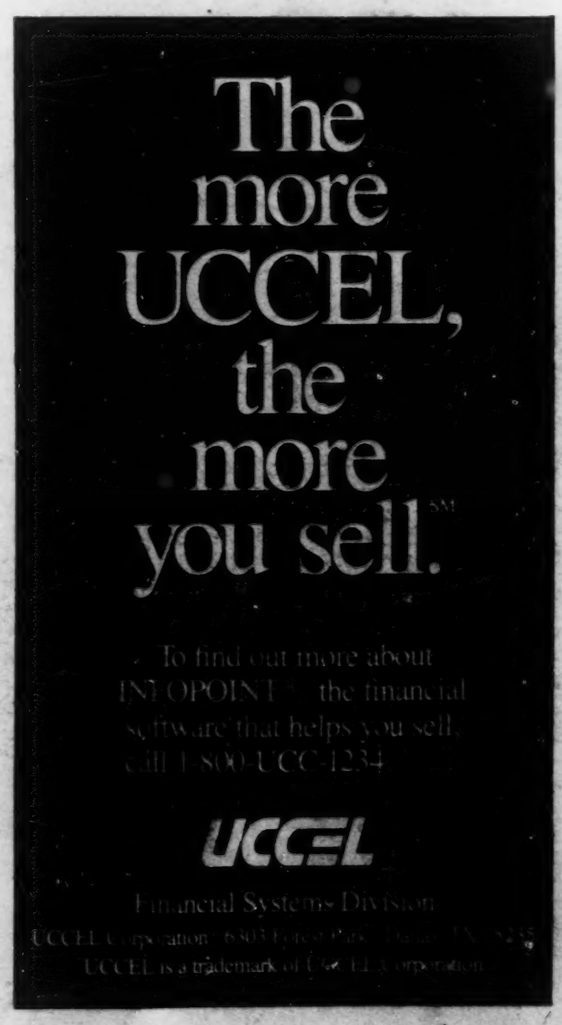
Texas: Page 31 ➡

THE MOST POWERFUL ALLY A BANK CAN HAVE.

★★★★

BUNKER RAMO
An Olivetti Company

35 NUTMEG DRIVE, TRUMBULL, CONNECTICUT 06611, 203/386-2110


The more UCCEL, the more you sell.℠
To find out more about INTOPOINT™ the financial software that helps you sell, call 1-800-UCC-1234
UCCEL
Financial Systems Division

Tax Reform Won't Kill Profits from Lease Business, Bankers Say

Continued from Page 1

said bank participation is viewed as a growing segment of the business. Today, for the first time, the *American Banker* lists the results of a survey on the leasing activities of the 100 largest bank holding companies in the United States. The tables, which include the names of the 75 companies that responded to the survey and a listing of their lease financing receivables over the past two years, appear on pages 22 and 24.

Of the equipment lessors group's more than 900 members, approximately 26% are banks. The independents, which account for 34% of the membership, make up the largest membership category, according to the group.

And recently, the fastest growing segment of the business has been leveraged leasing, which in 1985 rose 47.5% and in 1984 increased 33%, based on a survey by the lessors association of its members. According to the *American Banker* survey of bank leasing companies, 48.3% are engaged in leveraged leasing, the largest single category of leasing activity.

Leveraged leasing, under which the lessor provides some of the equity for the purchase of the equipment and then borrows the remainder from one or several investors, is particularly attractive for the financing of such big-ticket items as airplanes. It's also one of the most profitable segments of the leasing business.

First Chicago Leasing Corp., a subsidiary of First Chicago Corp., has about half of its leasing portfolio in leveraged leasing, which is usually for equipment costing more than $10 million. The remainder of its portfolio is direct leasing, which provides lease agreements on smaller-ticket items. Both of these are tax-oriented leasing arrangements. And Geoffrey Stringer, president of First Chicago Leasing, expects to see the company's operations grow in spite of tax reform because, he reasons, corporations will still need to obtain new equipment.

"I believe capital spending is driven by the need for capacity and driven by economic activity," Mr. Stringer said. And leasing equipment still may be more economical than buying it, he added.

Leasing is one of its hottest financial products for First Chicago, and the leasing subsidiary is one of the bank's most profitable operations.

The new tax reform bill will change the ways in which companies do business, but in the end, Mr. Stringer is expecting the leasing business to grow.

For one thing, more banks may enter leasing because they will have larger tax bills due to changes in the tax law regarding the deduction of the loan-loss reserve and the elimination of the 80% interest deduction that banks use for the cost of purchasing and carrying new tax-exempt municipal bonds.

"This could mean more capacity [for banks] to be in the leasing business," Mr. Stringer said. Lessors will still be able to take advantage of depreciation and interest deductions on nonrecourse debt in leveraged leases.

Other changes in the tax bill, such as the 20% alternative minimum tax, may help out the leasing business. For instance, lessors that are subject to the alternative minimum tax will curtail their leasing activities. But it may also mean that some companies will find that leasing equipment makes sense since the "rent" or monthly lease charge will be deductible, while tax depreciation deductions will be curtailed.

Traditionally, leasing has been a cheap way for the lessee to acquire new equipment, because the lessor is able to pass along the advantage of the investment tax credit to the customer in the form of a lower lease payment. Leasing experts generally agree that these cost advantages will decline substantially under tax reform.

Currently, lessees may save several hundred basis points by leasing a piece of equipment rather than taking out a secured loan to purchase it. Some sources estimated that borrowed money might be priced at 8% or 9%, while the leasing price would be 4% or 5%. Under tax reform the savings won't be as great but it could still be attractive.

Mr. Stringer expects that the changes in the tax laws will mean some companies, especially nonfinancial companies that did leveraged leasing primarily for the tax advantage, will leave the market. Others expect the change in tax reform will mean more leasing companies will switch over to nontax-oriented types of leasing.

Leases: Page 23

Dear Reader,
How Are We Doing?

The American Banker wants very much to make sure its coverage of the financial services industry meets your information needs. So would you spend a moment to give us some feedback on the statistical tables that appear in today's survey of **Leasing Business at Top Banking Firms**? Over the past year we have incorporated many of your suggestions to provide more meaningful information. Please return this questionnaire to L. Michael Cacace, Statistical Chief, American Banker, One State Street Plaza, New York, N.Y. 10004. Telephone 212-943-4836.

1. How would you **change** the tabulation to make it more useful? What would you add?

2. What do you like **best** about this tabulation?

3. What do you like **least** about this tabulation?

4. **How** do you use this information in your work?

5. What **new** statistical survey would you like to see?

Name (optional) _____

Title _____

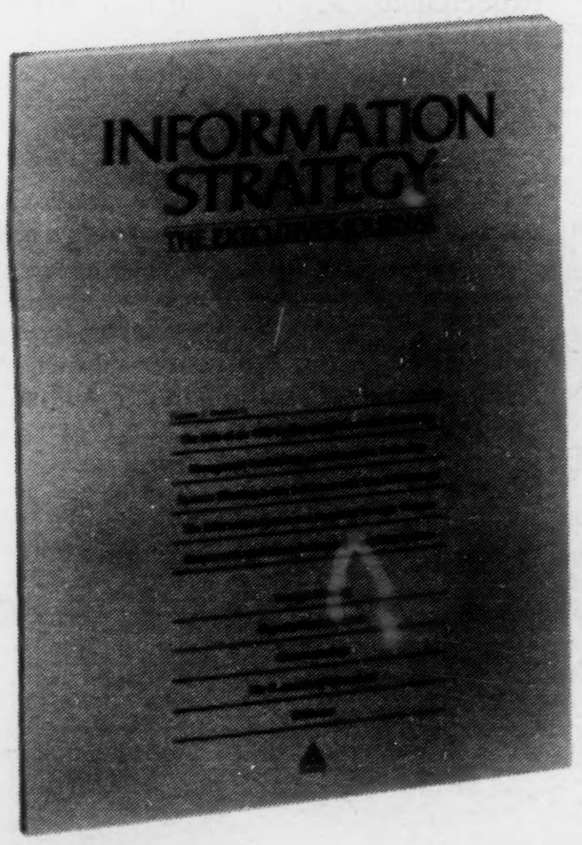
Company _____

Address _____

Phone _____

Thank you for helping us improve.

The only source of advice on your company's most valuable hidden asset—INFORMATION



Exclusively For Senior Executives...

Introducing INFORMATION STRATEGY: The Executive's Journal. A brand new quarterly, this is the only publication devoted exclusively to information management concerns facing senior executives. The 48-page journal is written in a practical, non-technical, concise manner that will help you:

- Re-examine the importance of information systems on different strategic levels
- Make educated policy decisions about your organization's information technology
- Stay abreast of the latest thinking on key information related issues such as developing a corporate information policy
- Assess the efficiency and effectiveness of your own information systems department
- Use information to enhance the salability of your company's products and services.

Distinguished Panel of Contributors

Top executives from a broad range of industries write feature articles and columns that provide invaluable information to help you with problem-solving and strategic planning. Serving as the Journal's consulting editor is Alan D. Mazursky, Director of MAS, M. R. Weiser & Co. By tapping the best practical experience from the corporate world you can be assured that he and the expert panel of 35 advisors will provide exactly the information you need to know.

Concise and Thought-Provoking Content

Written from your perspective, INFORMATION STRATEGY: The Executive's Journal is devoted entirely to strategic information-related issues. All articles, columns, interviews, case studies and roundtable reports are written in a concise, to-the-point style with each about three to five pages. Just right for your busy schedule!

Place Your Order Today!

For only $72, the Journal will provide you with an invaluable tool for problem-solving and strategic planning. Place your order today by clipping the coupon below or calling our toll-free number—it will be one of the best investments you will make.

☐ **YES,** Place my order to INFORMATION STRATEGY: The Executive's Journal.

I will receive four issues annually for the price of $72. If I am not completely satisfied I may cancel my subscription and receive a refund for the remaining balance of my subscription price.

NAME ☐ Mr. ☐ Ms. _____

TITLE _____

COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

PHONE ( ) ☐ Home ☐ Office

AB 10/22/86 **AO4191** ZEOJ/4

Auerbach Publishers Inc.
210 South Street
Boston, MA 02111

AUERBACH publishers inc

To place your order immediately, call toll-free 1-800-922-0066

Auerbach has been a leading Publisher of DP/MIS Management and Technology Information for over 25 years.

Lease Financing Receivables of Commercial Banks

March 31, 1986 Compared with March 31, 1985 and June 30, 1981 (Dollar Amounts in Thousands)

Compiled by American Banker Copyright 1986

	Lease Financing Receivables			Total Loans and Leases Net			Lease Financing as % Of Total Loans & Leases		Lease Rec.	Loans & Leases	5-Year Growth	
	3/31/86	3/31/85	% Chg.	3/31/86	3/31/85	% Chg.	3/31/86	3/31/85	6/30/81	6/30/81	Lease Rec.	Loans
Security Pacific National Bank, Los Angeles	2,120,777	1,935,022	9.60	29,638,928	28,120,694	5.40%	7.16%	6.88%	914,344	19,081,034	131.95%	55.33%
Citibank NA, New York	1,835,000	1,500,000	22.33	80,361,001	71,634,001	12.18	2.28	2.09	1,577,004	62,049,244	16.36	29.51
Bank of America NT&SA, San Francisco	1,163,000	1,343,000	-13.40	74,508,001	72,398,001	2.91	1.56	1.86	1,601,185	66,357,666	-27.37	12.28
Chemical Bank, New York	1,107,547	1,075,856	2.95	36,719,800	34,674,837	5.90	3.02	3.10	1,400,162	25,009,763	-20.90	46.82
Chase Manhattan Bank NA, New York	846,878	595,526	42.21	51,961,707	54,256,668	-4.23	1.63	1.10	209,389	46,055,783	304.45	12.82
Manufacturers Hanover Trust Co, New York	669,777	529,540	26.48	43,405,180	43,393,563	0.03	1.54	1.22	259,067	31,172,090	158.53	39.24
First Interstate Bank of California, Los Angeles	623,309	565,235	10.27	14,743,100	13,993,907	5.35	4.23	4.04	603,985	10,650,989	3.20	38.42
Morgan Guaranty Trust Co., New York	595,366	402,165	48.04	35,490,340	33,515,915	5.89	1.68	1.20	285,935	26,276,545	108.22	35.06
Bank of New England NA, Boston	577,282	487,579	18.40	4,493,016	3,582,211	25.43	12.85	13.61	169,109	1,451,631	241.37	209.52
First National Bank, Boston	566,798	408,081	38.89	14,324,295	12,588,124	13.79	3.96	3.24	284,749	7,415,495	99.05	93.17
Wells Fargo Bank NA,, San Francisco	525,146	390,783	34.38	20,113,766	19,445,611	3.44	2.61	2.01	304,156	15,845,999	72.66	26.93
Bankers Trust Co., New York	496,754	470,118	5.67	25,045,303	23,742,039	5.49	1.98	1.98	360,125	16,125,967	37.94	55.31
Fleet National Bank, Providence, R.I.	396,078	308,540	28.37	3,511,632	2,872,396	22.25	11.28	10.74	116,497	1,822,103	239.99	92.72
Chase Lincoln First Bank NA, Rochester, N.Y.	359,587	325,208	10.57	3,179,642	2,841,120	11.92	11.31	11.45	79,741	2,120,712	350.94	49.93
Marine Midland Bank NA, Buffalo, N.Y.	339,426	136,499	148.67	15,067,559	14,552,145	3.54	2.25	0.94	58,348	10,094,916	481.73	49.26
First Union National Bank, Charlotte, N.C.	301,648	199,198	51.43	6,793,331	6,006,630	13.10	4.44	3.32	68,569	3,349,402	339.92	102.82
United States National Bank, Portland, Ore.	293,873	204,143	43.95	4,701,115	4,427,321	6.18	6.25	4.61	41,850	2,827,622	602.21	66.26
NCNB National Bank OF North Carolina, Charlotte	255,423	214,309	19.18	8,063,455	6,235,601	29.31	3.17	3.44	113,904	3,591,057	124.24	124.54
Bank of New York	233,256	126,810	83.94	11,467,602	8,892,430	28.96	2.03	1.43	42,484	6,067,798	449.04	88.99
Continental Illinois National Bank & Trust Co., Chicago	232,198	202,780	14.51	19,687,172	22,774,069	-13.55	1.18	0.89	267,920	27,074,725	-13.33	-27.29
First Pennsylvania Bank NA, Philadelphia	231,709	222,792	4.00	3,258,538	3,157,168	3.21	7.11	7.06	67,798	3,084,979	241.76	5.63
Fidelity Bank NA, Malvern, Pa.	218,690	97,805	123.60	3,501,166	2,768,255	26.48	6.25	3.53	20,484	2,118,965	967.61	65.23
Irving Trust Co., New York	197,114	85,209	131.33	9,935,941	9,653,550	2.93	1.98	0.88	126,652	8,008,826	55.63	24.06
Key Bank NA, Albany, N.Y.	196,721	118,454	66.07	1,164,815	988,681	17.82	16.89	11.98	35,529	688,831	453.69	69.10
Citizens & Southern National Bank, Atlanta	195,774	127,794	53.19	6,148,474	5,235,949	17.43	3.18	2.44	40,701	2,858,050	381.01	115.13
Indiana National Bank, Indianapolis	190,607	134,011	42.23	2,407,003	2,194,499	9.68	7.92	6.11	80,542	1,240,274	136.66	94.07
Union Bank, Los Angeles	187,204	102,838	82.04	5,833,564	5,089,014	14.63	3.21	2.02	137,688	4,074,258	35.96	43.18
Rainier National Bank, Seattle	185,798	191,385	-2.92	5,306,882	4,992,263	6.30	3.50	3.83	106,186	3,068,911	74.97	72.92
Maryland National Bank, Baltimore	182,950	82,081	122.89	4,579,169	3,891,251	17.68	4.00	2.11	31,978	2,275,427	472.11	101.24
Mellon Bank NA, Pittsburgh	180,083	164,814	9.26	16,662,380	15,475,385	7.67	1.08	1.07	135,295	9,152,806	33.10	82.05
Allied Bank of Texas, Houston	162,410	137,504	18.11	2,791,634	2,733,634	2.12	5.82	5.03	0	886,380	N.A.	214.95
AmeriTrust Co. NA, Cleveland	161,796	140,438	15.21	4,929,902	4,164,860	18.37	3.28	3.37	57,785	2,942,964	180.00	67.51
Valley National Bank, Phoenix	158,163	143,691	10.07	6,550,360	5,778,765	13.35	2.41	2.49	83,498	3,800,542	89.42	72.35
Trust Company Bank, Atlanta	150,760	71,437	111.04	2,686,602	2,174,679	23.54	5.61	3.28	15,654	992,497	863.08	170.69
Shawmut Bank of Boston NA	147,932	82,344	79.65	2,655,897	1,941,780	36.78	5.57	4.24	0	1,328,258	N.A.	99.95
Central Bank, San Francisco	144,450	157,836	-8.48	997,333	988,307	0.91	14.48	15.97	148,862	613,324	-2.96	62.61
Huntington National Bank, Columbus, Ohio	133,274	101,704	31.04	4,347,714	3,753,230	15.84	3.07	2.71	90,173	2,673,018	47.80	62.65
Sovran Bank NA, Richmond	129,317	104,613	23.61	6,935,925	5,733,495	20.97	1.86	1.82	41,677	3,241,607	210.28	113.97
Seattle-First National Bank	124,870	106,495	17.25	7,996,032	7,207,483	10.94	1.56	1.48	440,805	6,846,050	-71.67	16.80
RepublicBank Dallas NA	113,532	105,432	7.68	10,515,404	9,602,028	9.51	1.08	1.10	86,124	4,993,679	31.82	110.57
First Fidelity Bank NA, Newark, N.J.	110,706	74,296	49.01	4,676,641	4,137,163	13.04	2.37	1.80	62,844	2,879,575	76.16	62.41
Fifth Third Bank, Cincinnati	110,690	81,023	36.62	1,360,121	1,091,811	24.57	8.14	7.42	20,213	578,371	447.62	135.16
Texas Commerce Bank NA, Houston	108,143	111,178	-2.73	7,012,406	7,024,542	-0.17	1.54	1.58	96,318	3,601,945	12.28	94.68
Long Island Trust Co. NA, Garden City, N.Y.	107,336	87,236	23.04	1,044,172	1,035,720	0.82	10.28	8.42	0	448,564	N.A.	132.78
Citizens Fidelity Bank & Trust Co., Louisville, Ky.	102,084	83,649	22.04	2,322,926	2,103,877	10.41	4.39	3.98	48,832	1,128,478	109.05	105.85
Manufacturers National Bank, Detroit	96,448	84,494	14.15	3,701,033	3,382,707	9.41	2.61	2.50	64,044	2,714,966	50.60	36.32
Mercantile Bank NA, St. Louis	95,043	65,901	44.22	2,730,004	2,579,882	5.82	3.48	2.55	33,014	1,651,201	187.89	65.33
Society Bank NA, Dayton, Ohio	94,196	63,268	48.88	790,156	824,013	-4.11	11.92	7.68	39,272	417,775	139.86	89.13
Southern National Bank of North Carolina, Lumberton	92,263	72,278	27.65	1,047,775	921,180	13.74	8.81	7.85	21,743	398,514	324.33	162.92
First National Bank, Louisville, Ky.	91,625	95,202	-3.76	2,199,290	2,006,259	9.62	4.17	4.75	105,657	1,183,912	-13.28	85.76
Barnett Bank of South Florida NA, Miami	91,170	70,128	30.01	2,443,368	1,967,731	24.17	3.73	3.56	6,572	1,167,148	1287.25	109.35
Provident National Bank, Philadelphia	90,927	62,378	45.77	2,704,254	2,339,238	15.60	3.36	2.67	0	1,437,680	N.A.	88.10
Crocker National Bank, San Francisco (a)	89,105	109,629	-18.72	12,044,170	15,418,419	-21.88	0.74	0.71	250,240	13,125,682	-64.39	-8.24
First National Bank, Cincinnati	87,984	15,454	469.33	1,196,425	979,707	22.12	7.35	1.58	132	555,689	66554.55	115.30
American Fletcher Natl. Bank & Trust Co., Indianapolis	87,927	65,375	34.50	2,378,311	1,998,405	19.01	3.70	3.27	32,407	1,305,585	171.32	82.16
Michigan National Bank, Lansing	86,335	92,510	-6.67	1,245,070	1,136,548	9.55	6.93	8.14	110,900	1,176,651	-22.15	5.81
State Street Bank &Trust Co., Boston	85,979	61,382	40.07	1,932,737	1,508,708	28.11	4.45	4.07	24,599	881,737	249.52	119.20
Bank of Baltimore	85,842	81,259	5.64	929,852	837,720	11.00	9.23	9.70	N.A.	N.A.		
Pittsburgh National Bank	78,431	64,000	22.55	5,669,726	4,842,005	17.09	1.38	1.32	39,137	2,944,777	100.40	92.53
Central Trust Co. NA, Cincinnati	77,705	78,779	-1.36	1,524,968	1,293,763	17.87	5.10	6.09	47,890	843,065	62.26	80.88
First Eastern Bank NA, Wilkes-Barre, Pa.	77,426	44,395	74.40	945,437	820,879	15.17	8.19	5.41	1,214	533,261	6277.76	77.29
First National Bank, Minneapolis	75,122	55,097	36.34	5,421,521	4,438,525	22.15	1.39	1.24	56,644	2,106,880	32.62	157.32
First National Bank, Atlanta	73,250	48,881	49.85	4,358,250	4,030,755	8.12	1.68	1.21	16,083	1,588,123	355.45	174.43
City National Bank, Beverly Hills	67,993	56,983	19.32	1,247,202	1,041,606	19.74	5.45	5.47	46,672	840,611	45.68	48.37
Bank of the West, San Francisco	67,808	89,953	-24.62	965,680	913,082	5.76	7.02	9.85	79,135	577,173	-14.31	67.31
Sovran Bank/Maryland, Bethesda (b)	67,188	41,722	61.04	1,710,091	1,436,973	19.01	3.93	2.90	17,944	820,122	274.43	108.52
Interfirst Bank Dallas NA	66,799	80,957	-17.49	6,201,020	6,847,119	-9.44	1.08	1.18	33,449	5,113,102	99.70	21.28
First Source Bank, South Bend, Ind.	66,660	54,177	23.04	662,512	627,872	5.52	10.06	8.63	13,660	409,339	387.99	61.85
Southeast Bank NA, Miami	65,141	57,964	12.38	6,600,438	6,019,316	9.65	0.99	0.96	30,043	2,828,679	116.83	133.34
California First Bank, San Francisco	64,429	78,637	-18.07	3,862,454	3,757,414	2.80	1.67	2.09	47,208	2,545,469	36.48	51.74
Industrial Valley Bank & Trust Co., Philadelphia (c)	64,086	62,155	3.11	1,379,139	1,212,727	13.72	4.65	5.13	0	830,435	N.A.	66.07
Provident Bank, Cincinnati	62,956	29,454	113.74	702,878	573,444	22.57	8.96	5.14	7,371	352,108	754.10	99.62
Bank of Tokyo Trust Co., New York	58,839	13,865	324.37	2,161,932	2,395,561	-9.75	2.72	0.58	17,341	2,151,342	239.31	0.49
Bank of Hawaii, Honolulu	58,227	49,682	17.20	2,433,054	2,147,752	13.28	2.39	2.31	27,971	1,481,866	108.17	64.19
First City National Bank, Houston	56,983	58,614	-2.78	4,804,210	6,320,328	-23.99	1.19	0.93	8,376	3,705,576	580.31	29.65
Zion First National Bank, Salt Lake City, Utah	56,524	43,927	28.68	1,653,917	1,349,405	22.57	3.42	3.26	28,095	930,798	101.19	77.69
Marine Bank NA, Milwaukee	53,762	52,849	1.73	1,016,173	1,008,799	0.73	5.29	5.24	30,726	661,731	74.97	53.56
Norwest Bank Minneapolis NA	53,525	54,566	-1.91	3,657,916	3,861,439	-5.27	1.46	1.41	146,837	2,480,449	-63.55	47.47
First Security Bank of Utah NA, Ogden	52,847	58,034	-8.94	1,870,308	1,636,845	14.26	2.83	3.55	45,545	1,099,127	16.03	70.16
Hibernia Bank, San Francisco	52,325	28,186	85.64	882,674	657,451	34.26	5.93	4.29	44,143	655,414	18.54	34.67
First Security Bank Idaho NA, Boise	51,942	54,158	-4.09	1,255,285	1,173,836	6.94	4.14	4.61	51,960	824,819	-0.03	52.19
Bank One Columbus NA, Ohio	48,869	44,720	9.28	1,925,168	1,522,291	26.47	2.54	2.94	35,976	798,220	35.84	141.18
Philadelphia National Bank	47,501	43,621	8.89	4,913,995	4,337,482	13.29	0.97	1.01	40,131	2,753,862	18.36	78.44
First National Bank, Toledo, Ohio	45,227	27,596	63.89	517,460	477,055	8.47	8.74	5.78	5,323	316,200	749.65	63.65
Union Trust Co. Baltimore	44,988	34,247	31.36	1,705,909	1,387,640	22.94	2.64	2.47	34,752	827,432	29.45	106.17
First National Bank of Maryland, Baltimore	41,846	35,005	19.54	2,492,595	2,314,622	7.69	1.68	1.51	36,806	1,572,273	13.69	58.53
Central Carolina Bank & Trust Co. NA, Durham, N.C.	40,938	33,315	22.88	787,565	643,243	22.44	5.20	5.18	13,294	325,465	207.94	141.98
BancOhio National Bank, Columbus	40,546	59,172	-31.48	2,736,462	2,536,583	7.88	1.48	2.33	61,050	2,622,954	-33.59	4.33
Dominion Bank NA, Roanoke, Va.	39,977	39,660	0.80	1,874,055	1,722,535	8.80	2.13	2.30	0	1,004,123	N.A.	86.64
Liberty National Bank & Trust Co., Louisville	39,783	32,736	21.53	1,132,469	1,039,854	8.91	3.51	3.15	24,581	747,044	61.84	51.59
United Bank of Denver NA	39,597	37,855	4.60	1,387,752	1,436,661	-3.40	2.85	2.63	41,476	1,096,281	-4.53	26.59
Bank Leumi Trust Co., New York	39,375	46,063	-14.52	1,607,250	1,609,939	-0.17	2.45	2.86	0	643,129	N.A.	149.91
Bank One Eastern Ohio NA, Youngstown	38,276	19,246	98.88	875,265	755,906	15.79	4.37	2.55	10	439,190	382660.00	99.29
Arlington Trust Co., Lawrence, Mass.	37,569	23,144	62.33	778,107	717,356	8.47	4.83	3.23	10,563	452,218	255.67	72.06
National Bank of Detroit	36,198	35,505	1.95	6,492,196	6,161,552	5.37	0.56	0.58	29,003	4,474,560	24.81	45.09
Lloyds Bank California, Los Angeles (d)	36,083	44,739	-19.35	2,136,715	1,975,343	8.17	1.69	2.26	91,950	1,865,467	-60.76	14.54
First Interstate Bank NA, Denver	34,902	33,496	4.20	1,210,238	1,192,990	1.45	2.88	2.81	27,571	1,150,331	26.59	5.21
Boatmens First National Bank, Kansas City, Mo.	33,972	23,774	42.90	985,506	1,002,202	-1.67	3.45	2.37	7,036	630,128	382.83	56.40
Louisiana National Bank, Baton Rouge	33,165	30,995	7.00	961,049	845,329	13.69	3.45	3.67	18,799	495,802	76.42	93.84
First National Bank, Omaha, Neb.	33,046	32,121	2.88	454,951	416,040	9.35	7.26	7.72	24,611	244,313	34.27	86.22
Totals for the 100 Banks Listed Above	**20,867,906**	**17,209,756**	**21.26**	**760,200,883**	**719,266,708**	**5.69**	**2.75**	**2.39**	**12,763,117**	**542,766,918**	**63.50**	**40.06**

Please note: the above listing gauges the size of the leasing operations of the bank affilates of banking firms only. These data do not include the leasing recivables of the nonbank leasing subsidiaries of banking firms. Since many firms conduct a substantial part of their leasing activities through these subsidiaries, the above listing is not a complete measure of the size of the leasing operations of many of the banking firms. For that reason, American Banker does not rank the banks listed above. The data are from the Federal regulatory report of condition and are provided by ADP Data Services Division. Please note that ADP adjusts prior years' data for current mergers. According to the Federal Reserve's report of condition definitions: **lease financing receivables** include all outstanding receivable balances related to direct financing and leveraged leases on property acquired by the bank for lease purposes. These balances include the estimated residual value of leased property and must be net of unearned income. The data are consolidated for banks with foreign offices and are from "Schedule C-Loans and Lease Financing Receivables"; "Column A- Consolidated Bank"; items 10.a.- "Of U.S addressees" and 10.b.- "Of non-U.S addressees". **Total Loans and Leases** are loans and leases net of unearned income. It is line item 4.a. from RC-Balance Sheet. **(a)**— Merged with Wells Fargo Bank NA in May. **(b)**— Formerly Suburban Trust Co. Changed title in April. **(c)**— Merged with Fidelity Bank NA, Malvern on Sept. 15. **(d)**— In Sept., Sanwa Bank Ltd., Osaka, Japan, acquired the bank and merged it into Golden State Sanwa Bank. Golden State Sanwa then changed its title to Sanwa Bank California.

MORTGAGE BANKING REVIEW — STARTS ON PAGE 9

American Banker

The Daily Financial Services N

150222000015 8/15/05 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

VOL. CLI NO. 211 Sunday, October 26, 1986 Year

TODAY

THE AMERICAN BANKERS Association is more of a "business" than it is a traditional membership organization supported by dues payments. And this inclination is becoming more pronounced..... 3

MARK OLSON, 43, who will be the youngest person ever to serve as president of the American Bankers Association, is the head of Security State Bank in Fergus Falls, Minn., the smallest of three banks in town and one of the smallest members of the ABA..... 48

THE 99TH CONGRESS failed to pass major banking legislation, but many bills affecting the financial services industry did become law. Among them were measures aimed at fighting money laundering and computer fraud, aiding the Farm Credit System, regulating government securities dealers..... 4

THE MAJOR NEW ENTRANTS into mortgage servicing over the last 18 months have been insurance companies, the financial arm of the nation's largest auto company, and thrift institutions..... 2

RONALD F. POE, outgoing president of the Mortgage Bankers Association, feels the strong volume of residential mortgages will continue into 1987, but the commercial real estate market will be hit hard by a combination of overbuilding and the new tax law..... 2

THE SERVICING VOLUME of the top 100 mortgage companies increased 13% in the year ending June 30, according to an *American Banker* survey..... 7

Mortgage Banking Review:

Staying in the Game

The Established Players are keeping an eye on the giants who are running onto the field..... 9

GMAC Mortgage Co. is growing fast. It is developing a mortgage credit card, planning a Realtor network, and preparing to sell home owners insurance and mortgage life insurance, among other products..... 30

First Interstate Mortgage Co. uses its relationship with the 21 affiliated banks of First Interstate Bancorp to good advantage..... 34

Lomas & Nettleton Mortgage Co. continues to set the pace for mortgage banking firms nationwide..... 35

The Mortgage Bankers Association continues in a traditional role..... 37

Tables on pages..... 22, 26, 28,32

Most Customers Feel Positively About Banks that Have Merged

Believe Institutions Are Same or Better than Before

By LAURA GROSS

NEW YORK — Americans whose financial institutions have been involved in mergers or acquisitions seem to feel positively about the combinations.

Most of the people who have experienced this kind of arrangement believe that their financial institutions are either the same sort of places to do business as they were before, or better.

About half of the people who do business with a merged or acquired institution see no change since the merger. One-fourth say the service improved, while 14% say it got worse.

According to the *American Banker's* latest consumer opinion poll, one-fifth of the public say they do business with a financial firm that has merged with another recently.

The survey finds a difference in consumers' opinions about the quality of service after mergers involving local institutions compared with mergers involving out-of-state institutions. While a majority of these people also say the service is the same, those who feel that the quality of service changed after a merger involving two local institutions are more likely to say it improved. People who sense a change when an out-of-state institution is involved are more likely to say the service became worse.

Consumers whose financial institutions have been involved in mergers tend to think that those bought by out-of-state acquirers offer a wider range of services. More say fees go up when out-of-staters come in than when local institutions are involved in the merger, the survey finds.

These are among the results of *American Banker's* third national consumer opinion poll. The telephone survey was

AN **American Banker** SURVEY

conducted among 1,028 consumers this spring by Reichman Research Inc., an opinion research firm based in New York and San Francisco. Additional survey data were published in September and more will appear in future editions.

The data imply that "consolidation has not gotten anywhere near the stage where consumer satisfaction would be impaired by a lack of competition," comments Irving Leveson, senior vice president and director of research for the Hudson Strategy Group, a Marsh & McLennan Companies Inc. subsidiary based in New York.

Mr. Leveson is referring to the trend toward consolidation by merger among the nation's commercial banks. Some industry observers have predicted that, ultimately, this trend could produce a decline in the number of American banks from around 14,900 today to somewhere between 5,000 and 10,000 banks.

Wary legislators and regulators have voiced concern that consolidation will put most small banks out of business, replacing them with a handful of giant firms holding too much power along with most of the banking assets.

But the *American Banker's* findings indicate that, at least so far, the concentration of assets is happening in a fashion that does not upset consumers.

Perception of the Rate of Consolidation Page 45

Wells Fargo Gets High Marks in Merger Page 46

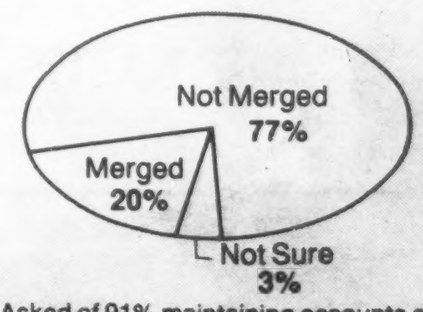
"The *American Banker* findings are in marked contrast to writings by people in national magazines who are constantly painting horror pictures about the adverse effects of mergers on competition," Mr. Leveson says.

Part of the reason, he says, could be the "emergence through a Darwinian process of a group of very successful firms in the second tier — the second 25 largest banks. They are growing very rapidly through merger and in

Consumer: Page 44 ➡

Consumers Are Positive About Mergers and Acquisitions

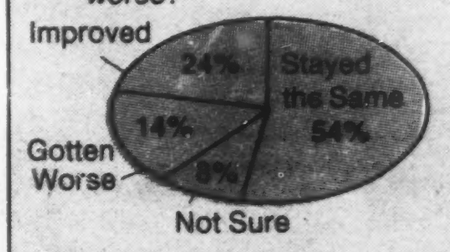
Two out of ten people say that a financial institution they deal with has been merged or acquired lately*



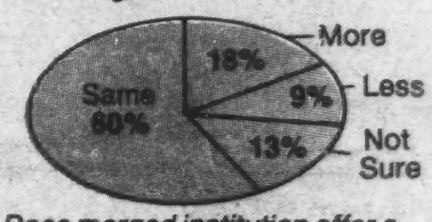
* Asked of 91% maintaining accounts at depository institutions

How They Rate Mergers & Acquisitions:

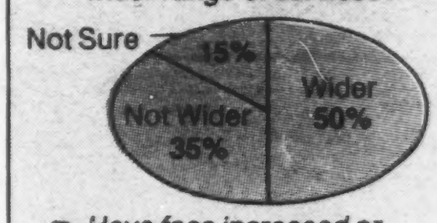
■ *Has service improved or gotten worse?*



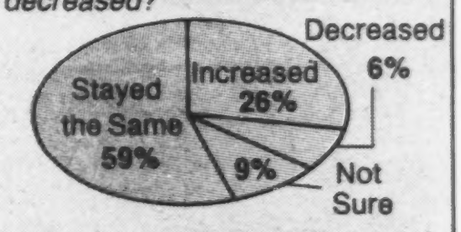
■ *Are employees more or less knowledgeable?*



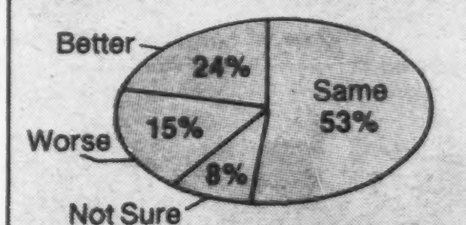
■ *Does merged institution offer a wider range of services?*



■ *Have fees increased or decreased?*



■ *In general, is merged institution a better or worse place to do business?*



Source: *American Banker* Survey, 1986

Frustration Climbs Halfway to the Stars in City by the Bay

SAN FRANCISCO — Close to 10,000 bankers, their spouses, sellers to the industry, and others are gathered here for the American Bankers Association annual convention, commercial banking's biggest bash.

Normally, it's a festive occasion, where bank presidents can swap executive tales, golf scores, and, sometimes, institutions.

But times are far from normal, and, if there is a single feeling among many attending bankers, it is one of frustration.

"Overall, I am optimistic about the future of banking and think banking will continue to play a major role in the financial services industry," said Randall A. Killebrew, president of First National Bank in Petersburg, Ill., and active in ABA policy affairs. "But until Congress is willing to define who is and who is not to be allowed to be in the financial services industry, we will continue to be frustrated.

"And that frustration will continue to be heightened," he says, by allowing such entities as savings and loans and the Farm Credit System to use accounting and regulatory rules less stringent than those applied to commercial banking.

While plenty of festivities are under way at the ABA meeting, invitations to bank-sponsored galas are fewer and more selective, reflecting more cost-conscious management. Pittsburgh's PNC Financial Corp., for instance, recently said in a letter to guests that it decided to discontinue its traditional ABA lunch, owing to its growing guest list and, "quite frankly, the rapidly ris-

This story was reported by Robert M. Garsson, Robert Luke, and Robert Trigaux. It was written by Mr. Trigaux.

ABA Convention: Page 45 ➡